

TOWN OF LYONS
BASIC FINANCIAL STATEMENTS
December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Town of Lyons, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Lyons, Colorado (Town) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Lyons, Colorado as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Significant estimates

As described in Note 1 to the financial statements, The Town has recorded a receivable for approximately \$4,336,418 from the State of Colorado for the Federal and State share of costs related to the Federal Emergency Management Agency (FEMA) grants. Due to the nature of the grants and the fact that these grants are new both to the Town and the State of Colorado, the amounts which will ultimately be reimbursed by the State of Colorado is an estimate which may have a significant effect on future year's financial results. The Town believes that all costs which have been accrued are allowable.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and on pages iv through xi, and 24 through 26, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lyons' basic financial statements. The individual fund financial statements and the Local Highway Finance Report, are presented for purposes of additional analysis and legal compliance and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The individual fund financial statements, the Local Highway Finance Report, and the schedule of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

opinion, individual fund financial statements, the Local Highway Finance Report, and the schedule of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2015, on our consideration of the Town of Lyons Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lyons Colorado's internal control over financial reporting and compliance.

Payette & Adams, LLC

September 15, 2015
Denver, Colorado

**TOWN OF LYONS
MANAGEMENT'S DISCUSSION & ANALYSIS**

The management of the Town of Lyons offers this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2014.

Financial Highlights

- The assets of the Town of Lyons exceeded its liabilities at the close of 2014 by \$37,148,365 (*net position*). Of this amount, \$2,645,277 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,205,619.
- As of the close of the current fiscal year, the Town of Lyons governmental funds reported combined ending fund balances of \$2,498,979.
- At the end of the current year, unrestricted, undesignated fund balance for the general fund was \$309,024, or about 20.8% of total general fund expenditures.

Overview of the Financial Statements

This overview is an introduction to the Town's financial statements. The Town of Lyons basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - Government-wide financial statements are designed to provide readers with a broad overview of the Town of Lyons' finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future time periods (for example, uncollected taxes, and earned but unused employee leave time).

Both of the government-wide financial statements distinguish functions of the town that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to cover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the town include general government, administrative services, public safety, public works (streets), planning and zoning, judicial and legislative, library services, and parks, recreation and cultural activities, and grant funds that include temporary rebuilding and recovery from the 2013 Flood disaster. The business-type activities of the town include electric utility, water utility, wastewater utility, and property management.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the town's near-term financial decisions. Both the governmental fund balance sheets and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Lyons maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, grants fund, and the parks, recreation and cultural fund, all of which are considered major funds. Individual fund data for the Conservation Trust Fund, a non-major governmental fund, is also provided.

Proprietary funds are generally used to account for services for which the town charges customers. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric fund and water fund (new in 2014 the water fund and sanitation funds were combined), which are all considered to be major funds of the Town of Lyons.

Notes to the financial statements – the notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - in addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Lyons governmental funds budgetary comparisons. This comparison demonstrates actual results (using the basis of budgeting) with the original budget and the final budget of each individual major fund in the governmental funds.

Budgetary comparisons for the proprietary funds and other non-major governmental funds are also provided as supplemental information, although not required by GAAP.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the town's financial position. In the case of the Town of Lyons, assets exceeded liabilities by \$37,148,365 at the close of 2014.

Town of Lyons Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 9,023,631	\$ 6,330,941	\$ 7,982,522	\$ 6,323,439	\$ 17,006,153	\$ 12,654,380
Capital Assets	21,097,774	17,795,624	14,092,115	11,722,125	35,189,889	29,517,749
Total Assets	30,121,405	24,126,565	22,074,637	18,045,564	52,196,042	42,172,129
Long-term Liabilities Outstanding	1,416,934	86,608	532,927	3,993,565	1,949,861	4,080,173
Other Liabilities	3,787,263	2,873,184	8,888,630	824,842	12,675,893	3,698,026
Total Liabilities	5,204,197	2,959,792	9,421,557	4,818,407	14,625,754	7,778,199
Deferred Inflows of Resources-						
Unavailable resources of property taxes	421,923	451,184	-	-	421,923	451,184
Net Investment in Capital Assets	20,848,553	17,746,294	8,390,736	10,294,860	29,239,289	28,041,154
Restricted						
Required emergency reserve	-	-	-	-	-	-
Debt Service	-	-	385,335	372,279	385,335	372,279
Parks and Open Space	184,321	163,838	-	-	184,321	163,838
Capital outlay	-	-	3,159,417	-	3,159,417	-
Grant Expenditures	1,534,726	445,250	-	-	1,534,726	445,250
Unrestricted	1,927,685	2,360,207	717,592	2,560,018	2,645,277	4,920,225
Total Net Position	\$ 24,495,285	\$ 20,715,589	\$ 12,653,080	\$ 13,227,157	\$ 37,148,365	\$ 33,942,746

By far the largest portion of the town's net position (83%) reflects its investment of \$29.24 million in capital assets (e.g., land, buildings, machinery and equipment, utility plants and infrastructure), less any related debt used to acquire those assets that is still outstanding. The town uses these capital assets to provide services to the public; consequently, these assets are *not* available for future spending. Although the town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the town's net position, \$5,263,799 (14.2%), represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted assets, \$2,645,277 (7.1%), may be used to meet the town's on-going obligations to the public and creditors. It is important to note that the unrestricted net position of the town's business-type activities may not be used to fund governmental activities, or visa-versa.

At the end of the current fiscal year, the Town of Lyons is able to report positive balances in all categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities. Net investment in capital assets increased \$1,198,135, or just over 4.3%, compared to 2013. This increase is discussed below in "Capital Assets."

Governmental activities – Governmental activities increased the Town of Lyons net position by \$3,779,696. Other key elements of governmental activities are as follows:

- The grants fund created to assist with the 2013 Flood rebuilding and recovery contributed \$6.9 million in assets and \$1.4 million in liabilities. The majority of expenditures were associated with disaster response and recovery. Most if not all of those costs will be reimbursed through State, local, and federal grants (i.e., FEMA Public Assistance).
- Sales tax collection increases \$51,278 in 2014 over 2013.

- Grant revenues increased \$4,103,745 in 2014 over 2013. This is largely attributed to collection of FEMA eligible expense reimbursement as well as state and local grant reimbursements.
- Contributions and Donations increased \$518,607, which is mainly contributed to the grant funds.

Town of Lyons Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 393,225	\$ 368,357	\$ 2,541,819	\$ 2,397,024	\$ 2,935,044	\$ 2,765,381
Operating Grants and Contributions	1,704,135	2,876,449	-	-	1,704,135	2,876,449
Capital Grants and Contributions	3,104,755	1,294,523	668,776	609,288	3,773,531	1,903,811
General Revenues:						
Property Taxes	450,879	457,847	-	-	450,879	457,847
Other Taxes	823,553	783,598	-	-	823,553	783,598
Unrestricted investment earnings	1,440	2,462	3,015	6,078	4,455	8,540
Intergovernmental	75,392	74,985	-	-	75,392	74,985
Loss on disposal of equipment	-	-	-	(321,844)	-	(321,844)
Transfers	1,070,669	(128,174)	(1,070,669)	128,174	-	-
Extraordinary gain	223,945	2,153,706	-	756,537	223,945	2,910,243
Other	740,009	104,849	-	-	740,009	104,849
Total Revenues	8,588,002	7,988,602	2,142,941	3,575,257	10,730,943	11,563,859
Expenses:						
General Government	1,136,428	747,736	-	-	1,136,428	747,736
Public Safety	1,395,972	955,597	-	-	1,395,972	955,597
Public Works & Streets	1,399,796	3,061,315	-	-	1,399,796	3,061,315
Parks, Recreation & Culture	869,699	787,502	-	-	869,699	787,502
Interest on Long-term Debt	6,411	2,266	-	-	6,411	2,266
Electric	-	-	1,269,945	1,227,521	1,269,945	1,227,521
Water	-	-	1,447,073	845,413	1,447,073	845,413
Sewer	-	-	-	548,383	-	548,383
Property	-	-	-	14,827	-	14,827
Total Expenses	4,808,306	5,554,416	2,717,018	2,636,144	7,525,324	8,190,560
Increase or Decrease in Net Position	3,779,696	2,434,186	(574,077)	939,113	3,205,619	3,373,299
Net Position, Beginning	20,715,589	18,281,403	13,227,157	12,288,044	33,942,746	30,569,447
Net Position, Ending	\$ 24,495,285	\$ 20,715,589	\$ 12,653,080	\$ 13,227,157	\$ 37,148,365	\$ 33,942,746

Proprietary (Business-type) activities - Proprietary (Business-type) activities - Business-type activities decreased the Town of Lyons net position by \$574,077 in 2014. The Municipal Energy Association of Nebraska (M.E.A.N.), adopted a new flat rate schedule in 2014, reducing the volatility of month to month fluctuations in the energy purchases. The electric operations made several capital improvements due to flood damage and the installation of three phase power to a local business, as well as other smaller upgrades/improvements. The town did utilize all of its remaining electric meters following the flood, as well as dozens that were donated by neighboring communities, and are working on a plan to upgrade all meters in 2016.

The Town is building of a new Waste Water Treatment Plant (WWTP) at its current location. The new system will be a sequence batch reactor with ultraviolet disinfection. Honeywell and Filanc/Frchetti were contracted to design and build the plant under a performance contract. It is anticipated to be complete in October 2015 with an extended outfall being built in early 2016.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds – The focus of the Town of Lyons governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the town's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the town include the General Fund; Grants Fund; Parks, Recreation and Cultural Fund; and a Special Revenue Fund.

As of December 31, 2014 the town's governmental funds reported combined ending fund balances of \$2,498,979 an increase of \$4,350,305 over the previous year. This increase primarily reflects revenues and other financing sources in the grant funds. The deferred inflows of resources – the unavailability of grant resources (flood cost reimbursement) increased \$1,068,696.

The general fund is the chief operating fund of the Town of Lyons. At the end of the fiscal year, unassigned fund balance of the general fund was \$309,024, while total fund balance reached \$690,433. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21% of total general fund expenditures, while total fund balance represents 47% percent of that same amount.

Proprietary funds – the Town of Lyons' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of December 31, 2014 the unrestricted net position of the Electric Fund was \$207,415. The Water Fund was \$510,176. The total reduction in net position for all proprietary funds was \$574,077 due to the increase in notes payable attributed to the new wastewater treatment plant loan. Other factors concerning the finances of the proprietary funds have already been discussed in the Town of Lyons' business-type activities.

General Fund Budgetary Highlights

Actual revenue compared to the budget was \$31,826 lower than budgeted amounts. Almost all revenues were higher than expected. The revenues that came in higher include specific ownership tax, sales tax, use tax, licenses and permits, intergovernmental, fines and forfeitures, contributions and donations, and other income. Transfers in were \$165,205 less than the budget. Expenditures were under final budget at approximately 89% of budget (\$1,635,954 actual to \$1,833,222 final budget).

The year of 2014 was highlighted by flood recovery work, temporary improvements to infrastructure and navigating the federal and state regulations regarding flood-related documentation and reimbursements. Staffing needs were greatly increased and the State funded 14 positions for a two year period to assist with the recovery. This resulted in the need to add additional space for staff. The Town is currently leasing a building on Main Street and references it as Town Hall Annex. In addition, with the Depot Library being totally damaged by the flood, space on Main Street was also leased for a temporary library.

Most of the revenue streams for flood recovery are based on reimbursement models, requiring the Town to pay for services when rendered and be reimbursed by the state; sometimes several months after the submittal. The significant needs of the town following the flood resulted in the approval of a FEMA Community Disaster Loan totaling \$994,322, as well as a \$3.5 million advance to assist with cash flow during flood recovery.

The following is a sampling of the contracts, services and actions taken in 2014:

- Set up the Recovery Grant Fund
- DOLA Flood Recovery Staffing Assistance Grant
- Architectural Services for Lyons Depot Library
- Recovery Housing Ballot Question
- Formation of a Audit Committee
- Produced and Distributed Lyons Recovery Action Plan
- Rental agreement for Town Hall Annex
- GOCO grant award accepted for Meadow Park
- Submitted and received Lyons Community Foundation grants
- Cyber Security Breach and security assessment
- Hydraulic studies of the creek
- Design of Exigent Work in the Creek
- Lease of Backhoe
- Lease of Front-end Loader
- Sewer Rate Increase
- Accepted Loan for \$5,300,000 from CWRPDA
- Accepted a loan from FEMA Community Disaster Loan Program
- Rental of a Street Sweeper
- Temporary surcharge on electric base rate for flood-related repairs
- Contracted for Professional Engineering Services for Confluence Area
- IGA with City of Longmont for development of decommissioned water plants
- Formation of the Lyons Watershed Advisory Board
- Municipal Facilities Site Analysis
- Housing Site Analysis
- Awarded contract for Design of Phase II Meadow Park
- Awarded CDBG-DR Grant for Parks, Open Space and Trails Grant
- Authorized Buyout / Acquisition grant applications to be submitted
- Authorized water / wastewater rate studies
- Replacement of water and wastewater infrastructure
- Authorized CIP for water, wastewater and electric funds
- Applied for grant to install sewer infrastructure to eastern corridor
- Hazard Mitigation Pond funding awarded
- Circumstances Under Which Administrative Fees can be Waived
- Electric Rate Increase
- Administrative Approval of Temporary Uses and Structures
- Amended Accessory Dwelling Unit Ordinance
- Amended Code Regarding Non-Conforming Buildings and Structures
- New Code Regarding Rezoning of Parks and Open Space
- Several Ordinances Regulating Marijuana Businesses
- Re-Codification of the Lyons Municipal Code
- Ballot Question Regarding Sales Tax Increase on Marijuana Businesses

Capital Asset and Debt Administration

Capital assets – The Town of Lyons net investment in capital assets for its governmental and business-type activities as of December 31, 2014 amounts to \$29,239,289 (net of accumulated depreciation). This investment in capital assets includes land, water rights, buildings, streets, utility systems, improvements, machinery and equipment, park facilities and structures.

Major capital asset events during the current fiscal year included the following:

- Natural Disaster Grant Fund from CDPHE for water and sewer repairs
- Flood Debris Removal Contract
- Temporary Emergency Creek Work completed
- Public improvements of water, sewer, road, curb and gutter for Park Street (Main St -3rd)
- Temporary Repair of Second Avenue Bridge
- Phase I of Meadow Park completed
- Asphalt Patching Services
- Roof repair and Replacement on Town Hall
- Purchase of paper folding machine
- New Phone System for Town Hall and Annex

Town of Lyons Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2014	2013	2014	2013	2014	2013
Land & Water	\$ 17,041,616	\$ 14,461,168	\$ 4,185,811	\$ 2,133,572	\$ 21,227,427	\$ 16,594,740
Building and Improvements	3,662,108	3,214,938	-	-	3,662,108	3,214,938
Plant and systems	-	-	9,802,557	9,484,806	9,802,557	9,484,806
Machinery and Equipment	394,050	119,518	103,747	103,747	497,797	223,265
	<u>\$ 21,097,774</u>	<u>\$ 17,795,624</u>	<u>\$ 14,092,115</u>	<u>\$ 11,722,125</u>	<u>\$ 35,189,889</u>	<u>\$ 29,517,749</u>

Long-Term Debt – At the end of the current fiscal year, the Town of Lyons had debt outstanding of \$12,610,017. Debt represented by bonds and loans secured solely by specified revenue sources (i.e., revenue bonds) are within the proprietary funds. The Town also received a \$3.5 million advance from the State of Colorado for the FEMA reimbursements. The Town of Lyons does not hold any general obligation within the governmental funds. Capital Leases represent two loans on equipment held by the Governmental Funds. Both loans will be paid within two years. Compensated Absences represent the total employee benefit dollar amount (at current rate of pay) regarding vacation, sick and compensated time, earned but not taken. In addition to the summary below, see the notes to the Financial Statements section for more information.

Town of Lyons Outstanding Debt Revenue Bonds and Loans

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Capital Lease	\$ 249,221	\$ 49,330	\$ -	\$ -	\$ 249,221	\$ 49,330
Advance from State	3,500,000	-	-	-	3,500,000	-
Compensated Absences	38,042	37,278	27,834	21,821	65,876	59,099
Revenue Bonds	-	-	820,000	890,000	820,000	890,000
Revenue Loans	-	-	8,040,796	3,081,744	8,040,796	3,081,744
Total	<u>\$ 3,787,263</u>	<u>\$ 86,608</u>	<u>\$ 8,888,630</u>	<u>\$ 3,993,565</u>	<u>\$ 12,675,893</u>	<u>\$ 4,080,173</u>

All issues of the Town of Lyons are unrated.

Economic Factors and Next Year's Budgets and Rates

In preparing the 2014 budget, the Town had to estimate the fiscal impact on all revenues for the town and its government recovering from a devastating flood disaster that caused an estimated \$50 million in damages to the Town's infrastructure. The regional impact of the flood disaster changed local economic factors in projecting revenues with highways and businesses closed for months.

Business activity was expected to be down 40% in 2014, a continuation of the drastically reduced last quarter of 2013. However, between the hundreds of volunteers and supportive visitor's spending money in town, businesses actually saw one of the strongest years ever.

However, the Town remains cautious of the booming economy. It is difficult to predict if support of local businesses will continue into another summer season, especially now that the highways are reopened. The property values in Boulder County continue to increase, with many homes increasing 40% due to the lack of housing and desirous quality of life. The town lost nearly 20% of its housing stock in the flood and has very minimal land available for replacement housing outside of the floodplain. Workforce housing is almost nonexistent in Lyons at this time, rendering a shortage in workforce for local businesses.

Budget expenditures in 2014 were held to a minimum except for increases in areas that were deemed critical (all flood related costs for response and recovery). In addition to the flood recovery staff, numerous regular staff hours were able to be shifted from the Town budget and reimbursable as 'force labor' for flood recovery.

Electric rates were increased, and are anticipated to be reviewed again in 2016, following a Capital Improvement Plan being developed on the overall system. Plans continue for the Commercial Eastern Corridor. The town is working collaboratively with the City of Longmont to purchase or sell the decommissioned plants for redevelopment.

Contacting the Town's Financial Management

This financial report is designed to provide the public, taxpayers, customers, investors and creditors with a general overview of the town's finances and to show the town's accountability for the funds and assets it receives. If you have questions about this report, or need additional financial information contact the Finance Director of the Town of Lyons at PO Box 49, 432 5th Ave, Lyons, Colorado 80540.

BASIC FINANCIAL STATEMENTS

TOWN OF LYONS, COLORADO
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2014</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 2,031,173	\$ 4,920,206	\$ 6,951,379
Restricted cash and cash equivalents	-	3,312,245	3,312,245
Receivables	292,308	783,088	1,075,396
Revolving loan funds receivable	65,000	-	65,000
Due from other governments	5,137,188	-	5,137,188
Property tax receivable	421,923	-	421,923
Internal balances	1,075,469	(1,075,469)	-
Prepaid expenses	570	-	570
Inventories	-	42,452	42,452
Capital assets not being depreciated			
Land, water rights and construction in progress	17,041,616	4,185,811	21,227,427
Capital assets, net of accumulated depreciation			
Buildings	392,349	-	392,349
Improvements	3,269,759	-	3,269,759
Plant and systems	-	9,802,557	9,802,557
Equipment	394,050	103,747	497,797
Total Assets	<u>30,121,405</u>	<u>22,074,637</u>	<u>52,196,042</u>
<u>Liabilities</u>			
<u>Current liabilities</u>			
Accounts payable and other current liabilities	1,358,348	465,811	1,824,159
Other current liabilities	58,336	50,488	108,824
Deposits	250	16,628	16,878
Due within one year	89,959	341,705	431,664
Due in more than one year	3,697,304	8,546,925	12,244,229
Total Liabilities	<u>5,204,197</u>	<u>9,421,557</u>	<u>14,625,754</u>
<u>Deferred Inflows of Resources</u>			
Unavailable resources property taxes	421,923	-	421,923
Total Deferred Inflows of Resources	<u>421,923</u>	<u>-</u>	<u>421,923</u>
<u>Net Position</u>			
Net investment in capital assets	20,848,553	8,390,736	29,239,289
Restricted			
Debt service	-	385,335	385,335
Capital outlay	-	3,159,417	3,159,417
Parks and open space	184,321	-	184,321
Grant expenditures	1,534,726	-	1,534,726
Unrestricted	1,927,685	717,592	2,645,277
Total Net Position	<u>\$ 24,495,285</u>	<u>\$ 12,653,080</u>	<u>\$ 37,148,365</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 1,136,428	\$ 94,917	\$ 120,261	\$ -	\$ (921,250)	\$ -	\$ (921,250)
Public safety	1,395,972	124,038	457,369	-	(814,565)	-	(814,565)
Public works and streets	1,399,796	-	932,934	3,104,755	2,637,893	-	2,637,893
Parks, recreation and cultural	869,699	174,270	193,571	-	(501,858)	-	(501,858)
Interest	6,411	-	-	-	(6,411)	-	(6,411)
Total governmental activities	4,808,306	393,225	1,704,135	3,104,755	393,809	-	393,809
Business-type activities							
Electric	1,269,945	1,259,792	-	22,501	-	12,348	12,348
Water and Sanitation	1,447,073	1,282,027	-	646,275	-	481,229	481,229
Total business-type activities	2,717,018	2,541,819	-	668,776	-	493,577	493,577
Total primary government	\$ 7,525,324	\$ 2,935,044	\$ 1,704,135	\$ 3,773,531	393,809	493,577	887,386
			General revenues				
			Property taxes		450,879	-	450,879
			Sales and use taxes		756,343	-	756,343
			Ownership taxes		23,947	-	23,947
			Other taxes and fees		43,263	-	43,263
			Unrestricted investment earnings		1,440	3,015	4,455
			Intergovernmental		75,392	-	75,392
			Loss on disposal of equipment		-	-	-
			Other income		740,009	-	740,009
			Total general revenues		2,091,273	3,015	2,094,288
			Transfers		1,070,669	(1,070,669)	-
			Extraordinary gain		223,945	-	223,945
			Total general revenues, transfers extraordinary gains		3,385,887	(1,067,654)	2,318,233
			Change in net position		3,779,696	(574,077)	3,205,619
			Net position, beginning		20,715,589	13,227,157	33,942,746
			Net position, ending		\$ 24,495,285	\$ 12,653,080	\$ 37,148,365

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Major Funds				Total Governmental
	General	Grants	Parks, Recreation, and Cultural	Other Governmental	
Assets					
Cash and cash equivalents	\$ 983,980	\$ 332,582	\$ 532,504	\$ 182,107	\$ 2,031,173
Cash held by county treasurer	2,304	-	-	-	2,304
Accounts receivable	100,491	156,388	33,125	-	290,004
Revolving loan funds receivable	-	65,000	-	-	65,000
Due from other governments	163,256	4,973,932	-	-	5,137,188
Property taxes receivable	421,923	-	-	-	421,923
Prepaid expenses	570	-	-	-	570
Due from other funds	-	1,361,505	-	2,214	1,363,719
Total Assets	\$ 1,672,524	\$ 6,889,407	\$ 565,629	\$ 184,321	\$ 9,311,881
Liabilities					
Accounts payable	\$ 139,016	\$ 1,207,577	\$ 11,755	\$ -	\$ 1,358,348
Accrued liabilities	50,567	5,404	2,365	-	58,336
Deposits	250	-	-	-	250
Due to other funds	207,079	-	81,171	-	288,250
Deferred revenue	-	156,388	-	-	156,388
Total Liabilities	396,912	1,369,369	95,291	-	1,861,572
Deferred Inflows of Resources					
Unavailable resources property taxes	421,923	-	-	-	421,923
Unavailable resources grants	163,256	4,366,151	-	-	4,529,407
Total Deferred Inflows of Resources	585,179	4,366,151	-	-	4,951,330
Fund Balance					
Nonspendable for					
Prepaid items	570	-	-	-	570
Restricted for					
Grant expenditures	380,839	1,153,887	-	-	1,534,726
Parks, recreation and cultural	-	-	-	184,321	184,321
Assigned to					
Subsequent year's expenditures	-	-	174,061	-	174,061
Parks, recreation and cultural	-	-	296,277	-	296,277
Unassigned	309,024	-	-	-	309,024
Total Fund Balance	690,433	1,153,887	470,338	184,321	2,498,979
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,672,524	\$ 6,889,407	\$ 565,629	\$ 184,321	\$ 9,311,881

Reconciliation of total fund balance to net assets of governmental activities:

Total fund balance shown above	2,498,979
Amounts reported for governmental activities in the statement of net assets are different because	
long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds.	(3,787,263)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.	4,685,795
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	21,097,774
Net Position of Governmental Activities	\$ 24,495,285

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Grants	Parks, Recreation and Cultural	Other Governmental	Total Governmental Funds
Revenues					
Taxes					
General property tax	\$ 450,879	\$ -	\$ -	\$ -	\$ 450,879
Specific ownership tax	23,947	-	-	-	23,947
Sales tax	374,873	-	187,437	-	562,310
Use tax	129,234	-	64,799	-	194,033
Other taxes and fees	23,658	-	19,605	-	43,263
Licenses and permits	94,917	-	-	-	94,917
Intergovernmental	118,584	3,741,722	-	20,280	3,880,586
Charges for services	-	-	174,270	-	174,270
Fines and forfeitures	124,038	-	-	-	124,038
Investment earnings	963	-	274	203	1,440
Rental income	109,748	-	-	-	109,748
Contributions and donations	3,243	545,991	414	-	549,648
Other income	16,906	-	138	-	17,044
Total Revenues	1,470,990	4,287,713	446,937	20,483	6,226,123
Expenditures					
General government	645,857	321,189	-	-	967,046
Public safety	354,776	1,041,196	-	-	1,395,972
Economic development	91,740	96,100	-	-	187,840
Public works	149,284	929,393	-	-	1,078,677
Library	78,483	-	-	-	78,483
Parks, recreation and cultural	-	398,208	342,037	-	740,245
Capital outlay	155,184	3,642,838	864	-	3,798,886
Debt service					
Principal	5,628	51,613	-	-	57,241
Interest	286	6,125	-	-	6,411
Total Expenditures	1,481,238	6,486,662	342,901	-	8,310,801
Excess of revenues over (under) expenditures	(10,248)	(2,198,949)	104,036	20,483	(2,084,678)
Other financing sources (uses)					
Transfers in	-	1,381,213	-	-	1,381,213
Transfers out	(154,716)	-	(72,460)	-	(227,176)
Capital lease proceeds	-	3,757,132	-	-	3,757,132
Insurance recoveries	59,069	1,464,745	-	-	1,523,814
Total other financing sources (uses)	(95,647)	6,603,090	(72,460)	-	6,434,983
Change in fund balances	(105,895)	4,404,141	31,576	20,483	4,350,305
Fund balance, beginning	796,328	(3,250,254)	438,762	163,838	(1,851,326)
Fund balance, ending	<u>\$ 690,433</u>	<u>\$ 1,153,887</u>	<u>\$ 470,338</u>	<u>\$ 184,321</u>	<u>\$ 2,498,979</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

Amounts reported for governmental activities in the statements of activities are different because:

		2014
Net change in fund balances, total governmental funds	\$	4,350,305
<p>Issuances of debt are treated as revenues in the governmental funds, but are recorded as liabilities on the statement of net position. Repayments of this debt are recorded as expenses in the governmental funds and reduce liabilities on the statements of net position.</p>		
Principal payments on capital lease	\$	57,241
Loan proceeds		(3,500,000)
Capital lease proceeds		(257,132)
Net amount by which lease proceeds exceeded principal payments		(3,699,891)
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p>		
Total governmental funds capital outlay - capitalized	\$	3,715,518
Donated capital assets are not reported as revenues at the fund level		4,500
Less current period depreciation		(417,868)
Net amount by which depreciation exceeded capital outlay in the current period		3,302,150
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(172,104)
Accrued compensated absences are not reported as an expenditure at the fund level.		(764)
Change in Net Assets of Governmental Activities	\$	3,779,696

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	<u>Electric Fund</u>	<u>Water and Sanitation Fund</u>	<u>Totals</u>
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 3,175	\$ 4,917,031	\$ 4,920,206
Restricted cash, cash equivalents	152,828	3,159,417	3,312,245
Accounts receivable	122,843	660,245	783,088
Due from other funds	254,762	-	254,762
Inventory, at cost	29,800	12,652	42,452
Total current assets	<u>563,408</u>	<u>8,749,345</u>	<u>9,312,753</u>
Noncurrent assets			
Capital assets not being depreciated			
Land, construction in progress and water rights	49,215	4,136,596	4,185,811
Capital assets being depreciated			
Plant, systems and equipment	3,341,411	15,298,352	18,639,763
Less accumulated depreciation	<u>(926,775)</u>	<u>(3,620,873)</u>	<u>(4,547,648)</u>
Capital assets, net of accumulated depreciation	<u>2,414,636</u>	<u>11,677,479</u>	<u>14,092,115</u>
Total Assets	<u>2,978,044</u>	<u>20,426,824</u>	<u>23,404,868</u>
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 165,975	\$ 299,836	\$ 465,811
Due to other funds	-	1,330,231	1,330,231
Accrued liabilities	15,199	35,289	50,488
Customer deposits	13,743	2,885	16,628
Compensated absences-current	5,501	13,064	18,565
Revenue notes payable - current	75,000	248,516	323,516
Revenue bonds payable - current	18,189	-	18,189
Total current liabilities	<u>293,607</u>	<u>1,929,821</u>	<u>2,223,428</u>
Noncurrent liabilities			
Compensated absences	2,747	6,522	9,269
Notes payable	221,316	7,495,964	7,717,280
Bonds payable	801,811	-	801,811
Total noncurrent liabilities	<u>1,025,874</u>	<u>7,502,486</u>	<u>8,528,360</u>
Total Liabilities	<u>1,319,481</u>	<u>9,432,307</u>	<u>10,751,788</u>
<u>Net position</u>			
Net investment in capital assets	1,298,319	7,092,417	8,390,736
Restricted for capital outlay	-	3,159,417	3,159,417
Restricted for debt service	152,828	232,507	385,335
Unrestricted	207,416	510,176	717,592
Total Net Position	<u>\$ 1,658,563</u>	<u>\$ 10,994,517</u>	<u>\$ 12,653,080</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	<u>Electric Fund</u>	<u>Water and Sanitation Fund</u>	<u>Totals</u>
<u>Operating revenues</u>			
Charges for services	\$ 1,233,458	\$ 1,255,420	\$ 2,488,878
Other	26,334	26,607	52,941
Total operating revenues	<u>1,259,792</u>	<u>1,282,027</u>	<u>2,541,819</u>
<u>Operating expenses</u>			
Operations and maintenance	937,086	672,286	1,609,372
Administrative	171,578	257,742	429,320
Depreciation and amortization	100,131	438,357	538,488
Total operating expenses	<u>1,208,795</u>	<u>1,368,385</u>	<u>2,577,180</u>
Operating income (loss)	<u>50,997</u>	<u>(86,358)</u>	<u>(35,361)</u>
<u>Non-operating revenues (expenses)</u>			
Investment earnings	278	2,737	3,015
Intergovernmental income	-	530,700	530,700
Interest on indebtedness	<u>(61,150)</u>	<u>(78,688)</u>	<u>(139,838)</u>
Total Non-Operating Revenues (Expenses)	<u>(60,872)</u>	<u>454,749</u>	<u>393,877</u>
Income (loss) before capital contributions, and transfers	(9,875)	368,391	358,516
Capital contributions	48,090	173,354	221,444
Transfers	<u>(400,789)</u>	<u>(753,248)</u>	<u>(1,154,037)</u>
Change in net position	(362,574)	(211,503)	(574,077)
Net position, beginning of year	<u>2,021,137</u>	<u>11,206,020</u>	<u>13,227,157</u>
Net position, end of year	<u>\$ 1,658,563</u>	<u>\$ 10,994,517</u>	<u>\$ 12,653,080</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Electric	Water and Sanitation Fund	Total
<u>Cash flows from operating activities</u>			
Receipts from customers and users	\$ 1,624,286	\$ 1,438,278	\$ 3,062,564
Other services	26,334	26,607	52,941
Payments to suppliers and employees	(1,094,812)	(1,235,146)	(2,329,958)
Net cash provided by operating activities	<u>555,808</u>	<u>229,739</u>	<u>785,547</u>
<u>Cash Flows from NonCapital Financing Activities</u>			
Interfund borrowings	(992,371)	3,231,556	2,239,185
Transfers from other funds	(400,789)	(753,248)	(1,154,037)
Net cash provided by (used for) noncapital financing activities	<u>(1,393,160)</u>	<u>2,478,308</u>	<u>1,085,148</u>
<u>Cash flows from capital and related financing activities</u>			
Principal repayments	(87,258)	(223,690)	(310,948)
Contributions from customers	22,501	115,575	138,076
Interest paid	(61,150)	(78,688)	(139,838)
Intergovernmental capital grants	-	530,700	530,700
Proceeds from debt	-	5,200,000	5,200,000
Purchase of fixed assets	(2,963)	(2,822,147)	(2,825,110)
Net cash provided by (used for) capital and related financing	<u>(128,870)</u>	<u>2,721,750</u>	<u>2,592,880</u>
<u>Cash flows from investing activities</u>			
Change in restricted holdings	-	(3,159,417)	(3,159,417)
Interest earned	278	2,737	3,015
Net cash provided by (used for) investing activities	<u>278</u>	<u>(3,156,680)</u>	<u>(3,156,402)</u>
Net change in cash and equivalents	(965,944)	2,273,117	1,307,173
Cash and equivalents, beginning of year	<u>969,119</u>	<u>2,643,914</u>	<u>3,613,033</u>
Cash and equivalents, end of year	<u>\$ 3,175</u>	<u>\$ 4,917,031</u>	<u>\$ 4,920,206</u>
Operating income (loss)	\$ 50,997	\$ (86,358)	\$ (35,361)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	100,131	438,357	538,488
Purchase of inventory	(28,333)	(9,558)	(37,891)
Decrease (increase) in accounts receivable	394,505	211,708	606,213
Decrease (increase) in accounts payable	38,508	(324,410)	(285,902)
Total adjustments	<u>504,811</u>	<u>316,097</u>	<u>820,908</u>
Net cash provided by operating activities	<u>\$ 555,808</u>	<u>\$ 229,739</u>	<u>\$ 785,547</u>
Schedule of non-cash capital and related financing activities			
Contributions of capital assets	\$ 25,589	\$ 284,450	\$ 310,039

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Town of Lyons (the “Town”) was organized on April 6, 1891 as an incorporated municipality as defined by Colorado Revised Statutes. The Town is governed by an elected Mayor and a six member Board of Trustees (Board). The Town provides the following services to the residents and businesses: public safety (police and building inspections), economic development, streets and storm drainage, sewer treatment, water, electric, cultural activities, a library, parks and recreation, public improvements, planning and zoning, judicial, and general administrative services. Police protection is provided by an intergovernmental agreement with the Boulder County Sheriff's Office.

The accounting policies of the Town conform to generally accepted accounting principles (GAAP) as applicable to government units. The following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The Town is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the Town officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. The Town may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the financial statements include only the funds of the Town of Lyons for which the Mayor and Board of Trustees have oversight responsibility and the Town has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary activity is not reported in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. There are no legal restrictions concerning the use of property taxes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, sales taxes, public improvement fees, grants and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered measurable and available only when cash is received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded only when payment is due.

Major Funds – In the fund financial statements, the Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.
- A *Grants Fund* is a special revenue fund created as a result of the flood that occurred September 12, 2013. This fund primarily captures grants, insurance proceeds, donations and expenses related to flood restoration.
- The *Parks, Recreation, and Cultural Fund* is a special revenue fund that accounts for the acquisition and maintenance of parkland and related facilities including the visitor center, as well as organizing and promoting special events and other community programs. Financing is provided by sales and use taxes, impact fees on new construction, activity fees, grants, donations, and other park use fees.

The Town reports the following major proprietary funds:

- *Electric Fund* - This enterprise fund was established to finance and account for the activities of the municipally owned electric utility. It is predominately self-supported by customer user charges but also receives revenue from investment fees for new connections.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

- *Water and Sanitation Fund* - This enterprise fund was established to finance and account for the acquisition, operation and maintenance of water facilities and wastewater facilities and distribution. It is predominately self-supported by customer user charges but also receives revenue from plant investment fees (tap fees). For financial reporting purposes the Sanitation Fund has been combined with the Water Fund for the year ended December 31, 2014 for a single fund presentation.

The Town reports one governmental fund as non-major:

- The *Conservation Trust Fund* is used to account for monies received from the Colorado Lottery, on a per capita basis. By statute, funds can be used for the acquisition, development, and maintenance of new conservation sites or for capital improvements or maintenance for recreational purposes on any public site.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Electric Fund, Water and Sanitation Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets

Budgets are adopted on a basis consistent with Colorado Revised Statutes and Local Government Budget Law. The budgets for the Town are adopted for all funds and presented on a basis consistent with GAAP except as follows. In the budgets for the enterprise funds: 1) bond and other debt proceeds are treated as other financing sources, and bond and other debt principal payments are treated as budget expenditures, 2) tap fees for the Electric Fund, Water and Sanitation Fund are treated as budgeted revenues, 3) no depreciation or amortization is budgeted 4) capital acquisitions are treated as budget expenditures and 5) losses on disposals of equipment are not recognized as revenues for budget purposes. Expenditures may not legally exceed budgeted appropriations at the fund level for all funds. Appropriations for all funds lapse at fiscal year-end. The budget of the Town is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues and represents a process through which policy decisions are made, implemented and controlled.

Legal Compliance – TABOR Amendment

Colorado voters passed an amendment to the Colorado Constitution (Article X, Section 20 or "TABOR") at the general election held on November 3, 1992. The language of TABOR applies to the State and all local governments, including the Town. TABOR has several limitations, including revenue increases, spending abilities, and other specific requirements of state and local government.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TABOR generally requires that the voters of the town approve any new tax, increase of existing tax, or property tax mill levy increase. TABOR also limits increases in the Town's property tax revenue over the prior year to the rate of inflation plus the net percentage change in the actual value of all real property in the Town from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from taxable real property, unless otherwise approved by the voters. Any revenues collected in excess of these limits are required to be refunded during the next fiscal year.

On November 8, 1994 the voters within the Town approved a ballot question which authorizes the Town to collect, retain and expend the full amount of revenues generated by the Town of Lyons without any increase in any tax rate. All remaining restrictions of TABOR remain in full force and effect.

The Town believes it is in compliance with the requirements of the amendment. In order to determine its compliance, the Town has made certain interpretations of the amendments language.

Prior to 2013, the Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by TABOR. As a result of the 2013 flood, the Town's emergency declaration resolution authorized the use of its TABOR reserves. The emergency declaration was still in effect at the end of the fiscal year. As a result, the Town does not have a TABOR emergency reserve at December 31, 2014.

Restricted Revenue

Restrictions are placed upon certain revenue received by the Town when legally mandated to be used for specific purposes. Currently the voters have approved a restriction for 1% of the 3% sales and use tax to be used for parks and recreation.

Restricted Revenue (Continued)

Under this formula, sales and use tax was recorded in the funds as follows:

	<u>Percentage</u>	<u>Sales Tax</u>	<u>Use Tax</u>	<u>Total</u>
General Fund	66 2/3%	\$ 374,873	\$ 129,234	\$ 504,107
Parks, Recreation and Cultural Fund	33 1/3%	187,437	64,799	252,236
	100%	\$ 562,310	\$ 194,033	\$ 756,343

Assets, Liabilities and Net Position/Fund Balances

Cash and Investments – For purpose of the statement of cash flows, cash equivalents are defined as investments with original maturities of three months or less, which are available for unrestricted purposes. Investments are stated at fair value.

Receivables – All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2014, management believes all receivables are collectible.

Accounts receivables in the enterprise funds represent the utility billings for customer accounts. Unpaid amounts represent an enforceable lien on the property; therefore no allowance for uncollectible amounts is made.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Interfund Receivables and Payables – During the course of operations, numerous transactions occur between individual funds. The resulting receivables and payables are classified on the balance sheet as *due from other funds* and *due to other funds* because they are short-term in nature.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Inventories - Inventories are valued at cost, using the first-in, first-out (FIFO) method.

Capital Assets - Capital assets, including "public domain" infrastructure capital assets such as streets, bridges, curbs and gutters, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 for infrastructure assets and \$2,500 for all other capital assets, with an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Costs incurred for the purchase or construction of capital assets for governmental activities are recorded as capital outlay expenditures in the governmental funds. Only those infrastructure assets associated with governmental activities that were completed beginning in 2004 have been capitalized as additions.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Accumulated depreciation is reported on the government-wide financial statements.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives. Capital assets not being depreciated include land, water rights, and construction in progress.

Building and improvements	10 - 30 years
Plant and systems	20 - 40 years
Infrastructure	20 years

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. At December 31, 2014, the Town had no deferred outflows of resources. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes earned but levied for a subsequent period and reimbursable grant revenues which were earned, but were not available at December 31, 2014.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Unearned Revenues – Unearned revenues include insurance proceeds which were not available at December 31, 2014.

Compensated Absences – It is the policy of the Town to permit employees to accumulate a limited amount of earned but unused vacation, overtime, and sick leave benefit. Upon separation from Town service, earned but unused vacation and overtime is paid to the employee. Earned but unused sick leave is paid at one half (50%) value. Accumulated unpaid vacation pay is accrued when earned in the government-wide and proprietary fund type financial statements. A liability is reported in the governmental funds financial statements when payment is due. At December 31, 2014, \$65,876 of earned but unused vacation, overtime and sick leave percentage is recorded as an accrued liability.

Long-Term Debt – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net Position/Fund Balances – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form (i.e. inventories or prepaid items) or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making body for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The Town has no committed fund balance.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign fund balances for specific purposes.

Unassigned – All other spendable amounts.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Property Taxes - Property taxes are levied by the Board and certified to Boulder County for collection by December 15 of each year. These taxes attach an enforceable lien on property as of January 1 of the succeeding year and are payable in full by April 30 or in two installments by March 2 and June 15 in the year of collection. The County Treasurer collects the property taxes and remits the collections to the Town on a monthly basis.

Retirement Commitments - Effective January 1, 1998, a Savings Incentive Match Plan for Employees (SIMPLE) IRA Plan was established by the Board of Trustees. Capital Guardian Trust Company administers the defined contribution plan with investments made within the American Funds Group chosen by the employee. Under this plan, participation by the employee is voluntary. If the employee chooses to participate, the Town will contribute a match of up to 3% of the employee's gross salary. A new employee is eligible to participate following successful completion of a six-month period during one of the semi-annual election periods. All amounts are 100% vested at the time of contribution. During the year ended December 31, 2014, the Town contributed \$16,216.

Risk Management

The Town is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, section 18(2). The purposes of CIRSA are to provide members defined liability and property coverage and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees or officers. It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity and the Town does not approve budgets nor does it have ability to significantly affect the operations of the unit.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect certain reported amounts and disclosures. The Town has recorded a receivable for approximately \$4,336,418 from the State of Colorado for the Federal and State share of costs related to the Federal Emergency Management Agency (FEMA) grants. Due to the nature of the grants and the fact that these grants are new both to the Town and the State of Colorado, the amounts which will ultimately be reimbursed by the State of Colorado is an estimate which may have a significant effect on future year's financial results. The Town believes that all costs which have been accrued are allowable.

NOTE 2 - CASH AND INVESTMENTS

A summary of deposits and investments as of December 31, 2014, follows:

Petty cash	\$ 1,580
Deposits	3,178,894
Investments	3,923,733
Funds held by other agencies	<u>3,159,417</u>
Total Cash and Investments	<u>\$ 10,263,624</u>

The above amounts are classified in the financial statements as follows:

Cash and investments	\$ 6,951,379
Restricted cash and investments	<u>3,312,245</u>
Total Cash and Investments	<u>\$ 10,263,624</u>

Deposits

Custodial Credit Risk – Deposits - In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The Town's deposit policy is in accordance with CRS 11-10.5-101 et. seq., The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2014, the carrying amount of the Town's deposits was \$3,178,894 and the bank balance was \$3,200,963. Of this amount \$250,000 was covered by FDIC insurance. The remaining \$2,950,963 was included in the PDPA funds.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk – Investments - Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain International agency securities
- General obligation and revenue bonds of the U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The Town does not have an investment policy that would further limit its investment choices. The Town invests excess funds under the prudent investor rule. Criteria for selection of investments and their order of priority are:

- Safety
- Liquidity
- Yield

Investments

The Town invests funds in COLOTRUST PLUS+. The Colorado Local Government Liquid Asset Trust (COLOTRUST) was organized in 1985 in accordance with the Investment Funds - Local Government Pooling Act, (Part 7, Article 75, Title 24, Colorado Revised Statutes), to allow Colorado governmental entities to pool their funds to take advantage of short-term investments and maximize net interest earnings. Authorized securities include U.S. Treasury Securities, Federal Instrumentality Securities, Agency Securities, Repurchase Agreements and Tri-Party Repurchase Agreements, collateralized bank deposits, Commercial Paper that, at the time of purchase, is rated in its highest rating category by one or more nationally recognized organizations which regularly rate such obligations, and corporate bonds. The pool operates similar to a money market fund with a share value equal to \$1.00. This fund is rated AAAM by the Standard and Poor's Corporation. At December 31, 2014, the Town and had invested \$3,923,733 in COLOTRUST.

Interest Rate Risk - The Town has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2014, the Town has interest rate risk related only to its investments in COLOTRUST. At December 31, 2014, COLOTRUST had a weighted average maturity of 41 days to reset and 79 days to maturity.

Concentrations of Credit Risk

The Town places no limit on the amount it may invest in any one issuer. At December 31, 2014, the Town had no concentration of investment credit risk.

Custodial Credit Risk – Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2014, the Town's investments consisted of the investment pool.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH - RESTRICTED

The Electric Fund revenue bond agreement contains a covenant provision requiring the Town to deposit restricted cash in the amount of \$118,638 as a bond reserve account. In addition, \$34,190 was contained in a bond sub-account restricted for debt service as of December 31, 2014.

The Water fund loan agreement with the Colorado Water Resources and Power Development Authority require three months operations and maintenance expense be restricted for debt service. There is not a requirement under the agreement to hold these funds in separate cash accounts. For purposes of the bond issue, the Water and Sanitation funds are combined. However, restricted amounts are reflected in each fund. The restricted amounts total \$232,507 as of December 31, 2014.

The Water fund obtained an additional loan from the Colorado Water Resources and Power Development Authority of which they are currently holding \$3,159,417 to be used to fund future improvements.

NOTE 4 - INTERNAL BALANCES

During the year ended December 31, 2014 the following amounts were transferred to the grant fund in order to move all insurance proceeds to the grant fund or to cover the Town's share of flood related costs by each fund.

	<u>Transfer From Other Funds</u>	<u>Transfer To Other Funds</u>
General Fund	\$ -	\$ 154,716
Grants Fund	1,381,213	-
Parks, Recreation, and Cultural Fund	-	72,460
Electric Fund	-	400,789
Water and Sanitation Fund	<u>-</u>	<u>753,248</u>
Totals	<u>\$ 1,381,213</u>	<u>\$ 1,381,213</u>

The following are the balances owed between funds as of December 31, 2014. All balances are expected to be repaid within one year.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major funds		
General Fund	\$ -	\$ 207,079
Grants Fund	1,361,505	-
Parks, Recreation, and Cultural Fund	-	81,171
Electric Fund	254,762	-
Water and Sanitation Fund	-	1,330,231
Non-Major Funds		
Conservation Trust Fund	<u>2,214</u>	<u>-</u>
Totals	<u>\$ 1,618,481</u>	<u>\$ 1,618,481</u>

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2014 was as follows:

	Balance 1/1/14	Additions	Deletions	Balance 12/31/14
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 13,870,198	\$ -	\$ -	\$ 13,870,198
Construction in progress	<u>590,970</u>	<u>3,046,730</u>	<u>(466,282)</u>	<u>3,171,418</u>
Total capital assets, not depreciated	<u>14,461,168</u>	<u>3,046,730</u>	<u>(466,282)</u>	<u>17,041,616</u>
Capital assets being depreciated				
Buildings	614,332	153,296	-	767,628
Improvements	3,614,143	645,432	-	4,259,575
Equipment	<u>322,059</u>	<u>340,842</u>	<u>-</u>	<u>662,901</u>
Total capital assets, depreciated	<u>4,550,534</u>	<u>1,139,570</u>	<u>-</u>	<u>5,690,104</u>
Less accumulated depreciation for				
Buildings	(280,305)	(94,974)	-	(375,279)
Improvements	(733,232)	(256,584)	-	(989,816)
Equipment	<u>(202,541)</u>	<u>(66,310)</u>	<u>-</u>	<u>(268,851)</u>
Total accumulated depreciation	<u>(1,216,078)</u>	<u>(417,868)</u>	<u>-</u>	<u>(1,633,946)</u>
Total capital assets being depreciated, net	<u>3,334,456</u>	<u>721,702</u>	<u>-</u>	<u>4,056,158</u>
Governmental activities Capital assets, net	<u>\$ 17,795,624</u>	<u>\$ 3,768,432</u>	<u>\$ (466,282)</u>	<u>\$ 21,097,774</u>

The amount of depreciation charged to each governmental function on the government-wide Statement of Activities is as follows:

General government	\$ 44,613
Public works and streets	320,960
Parks, culture and recreation	<u>52,295</u>
Total current year depreciation	<u>\$ 417,868</u>

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Capital asset activity for the business-type activities for the year ended December 31, 2014 was as follows:

	<u>Balance</u> <u>1/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/14</u>
<u>Business-type Activities</u>				
Capital assets, not being depreciated				
Land and water rights	\$ 1,547,588	\$ -	\$ -	\$ 1,547,588
CIP	<u>585,984</u>	<u>2,638,223</u>	<u>(585,984)</u>	<u>2,638,223</u>
Total capital assets, not depreciated	<u>2,133,572</u>	<u>2,638,223</u>	<u>(585,984)</u>	<u>4,185,811</u>
Capital assets being depreciated				
Plant and systems	13,411,842	759,378	-	14,171,220
Equipment	<u>185,867</u>	<u>96,862</u>	<u>-</u>	<u>282,729</u>
Total capital assets, depreciated	<u>13,597,709</u>	<u>856,240</u>	<u>-</u>	<u>14,453,949</u>
Less accumulated depreciation for				
Plant and systems	(3,927,036)	(498,277)	-	(4,425,313)
Equipment	<u>(82,121)</u>	<u>(40,211)</u>	<u>-</u>	<u>(122,332)</u>
Total accumulated depreciation	<u>(4,009,157)</u>	<u>(538,488)</u>	<u>-</u>	<u>(4,547,645)</u>
Total capital assets being depreciated, net	<u>9,588,552</u>	<u>317,752</u>	<u>-</u>	<u>9,906,304</u>
Business-type activities				
Capital assets, net	<u>\$ 11,722,124</u>	<u>\$ 2,955,975</u>	<u>\$ (585,984)</u>	<u>\$ 14,092,115</u>

Depreciation expense for the business-type activities totaled \$538,488 for the year ended December 31, 2014.

NOTE 6 - LONG TERM DEBT

	<u>Balance</u> <u>1/1/14</u>	<u>Advances</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/14</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental activities</u>					
Capital leases	\$ 49,330	\$ 257,132	\$ 57,241	\$ 249,221	\$ 64,585
Advance from State	-	3,500,000	-	3,500,000	-
Compensated absences	<u>37,278</u>	<u>57,284</u>	<u>56,520</u>	<u>38,042</u>	<u>25,374</u>
	<u>\$ 86,608</u>	<u>\$ 3,814,416</u>	<u>\$ 113,761</u>	<u>\$ 3,787,263</u>	<u>\$ 89,959</u>

Compensated absences from the governmental activities are generally liquidated by the General Fund.

During 2014, the Town received an advance from the State of Colorado to assist with cashflow issues in the amount of \$3,500,000. The loan is to be paid with the final FEMA reimbursements. At this time, the date of those reimbursements is not known. The loan has no interest component.

Also, during 2014, the Town entered into a Community Disaster Loan (CDL) with FEMA in the amount of \$994,322. The loan bears interest at a rate of 1.75%. The loan is due on December 28, 2019, unless amounts are forgiven under Section 417 of the Stafford Disaster and Relief and Emergency Assistance Act. At December 31, 2014, no amounts have been drawn on this loan.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG TERM DEBT (CONTINUED)

Business-type activities

2003 Elec. Rev. Bonds	\$ 890,000	\$ -	\$ 70,000	\$ 820,000	\$ 75,000
2006 Elec. Rev. Note	313,574	-	17,257	296,317	18,189
2003 CWRPDA Loan	2,768,170	-	223,691	2,544,479	229,283
2013 CWRPDA Loan	-	5,200,000	-	5,200,000	19,233
Compensated absences	<u>21,821</u>	<u>41,068</u>	<u>35,055</u>	<u>27,834</u>	<u>18,565</u>
	<u>\$ 3,993,565</u>	<u>\$ 5,241,068</u>	<u>\$ 346,003</u>	<u>\$ 8,888,630</u>	<u>\$ 360,270</u>

The Town has leases classified as capital leases on equipment with an original cost of \$299,313 and a book value of \$259,563. Future minimum obligations and the net present value of these minimum lease payments are as follows:

<u>Year Ending December 31:</u>	
2015	\$ 90,484
2016	<u>166,188</u>
Total minimum leases payments	256,672
Less amount representing interest	<u>7,451</u>
Present value of minimum lease payments	<u>\$ 249,221</u>

- *Electric Fund – Revenue Bonds Payable*

Revenue bonds in the amount of \$1,480,000 were issued October 15, 2003 for the purpose of constructing an electrical substation. The average coupon rate is 4.76% over twenty years with final payment on December 1, 2023. These bonds are payable from the revenues of the Electric Fund and do not represent a general obligation of the town. The balance on this bond at fiscal year-end is \$820,000.

In 2006, a revenue note was issued in the amount of \$412,000 in support of the same project. The rate on this note is 5.4% with a twenty-year term. The balance as of December 31, 2013 is \$296,317.

- *Water fund - loans payable*

A loan agreement was approved June 1, 2003 with the Colorado Water Resources and Power Development Authority through the Drinking Water Revolving Fund in the principal amount of \$4,915,599 at 3.03% interest. Payments were due on February 1 and August 1 of each year, payable from the revenues of the Water and Sanitation Fund. Final payment was originally due on August 1, 2024.

This note was refinanced by the Colorado Water Resources and Power Authority in February 2013. The refinancing provided a present value savings of approximately 4.1% as a percentage of current outstanding loan principal. These anticipated refunding credits will be reduced against the Town's principal at the time the credit is issued. The balance remaining on December 31, 2014 is \$2,544,479.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG TERM DEBT (CONTINUED)

The Town entered into a loan agreement with the Colorado Water Resources and Power Development Authority through the Drinking Water Revolving Fund, dated April 18, 2014, in the principal amount of \$5,200,000. \$3,200,000 of the loan balance bears interest at 2.00% interest while the balance or “green” portion is at 0%. Payments were due on May 1 and November 1 of each year, payable from the revenues of the Water and Sanitation Fund. Final payment was originally due on November 1, 2034. The balance remaining on December 31, 2014 is \$5,200,000.

Principal and interest payments on long term debt are due as follows:

Year	Principal	Interest	Total
2015	\$ 460,046	\$ 135,372	\$ 595,418
2016	567,142	150,960	718,102
2017	576,514	136,504	713,018
2018	590,997	126,562	717,559
2019	605,596	115,767	721,363
2020-2024	3,186,631	384,832	3,571,463
2025-2029	1,424,069	146,534	1,570,603
2030-2034	1,449,801	52,422	1,502,223
	<u>\$ 8,860,796</u>	<u>\$ 1,248,953</u>	<u>\$ 10,109,749</u>

Interest expense for the year ended December 31, 2014 totaled \$146,249

NOTE 7 - EQUITY

Net Position

As described in Note 1, net position in the Government-Wide Statement of Net Position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulators of other governments. At December 31, 2014 restrictions on the governmental activities net position totaled \$1,719,047. Restrictions on the net position of the business type activities totaled \$3,544,752.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies, as well as matching obligations from the Town. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants.

Commitments

During 2014, the Town entered into a number of agreements related to the flood reconstruction and the new wastewater treatment plant. The total remaining balances of these agreements at December 31, 2015 is approximately \$4.6 million. The Town anticipates that the majority of these costs will be paid by loan proceeds or grant reimbursements.

TOWN OF LYONS, COLORADO
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - FLOOD DISASTER

During September, 2013, after historic rainfall, the Town of Lyons suffered significant damage from flash flooding of tributaries of the St. Vrain River. On September 24, 2013, a Presidential Disaster Declaration was issued. The Town estimates infrastructure damage at \$60 million and damage to the parks to be \$9 million. The Town is in the process of being award or has been awarded a number of different grants from different state and federal agencies that will assist in rebuilding of the Town and meeting the match requirements for the Federal Emergency Management Agency (FEMA) grants. These grants will also provide for the hiring of additional temporary personnel to implement and account for the awarded projects. The Town anticipates that these grants will exceed \$100 million.

Additional insurance proceeds were recognized in 2014 and resulted in an extraordinary gain of \$223,945.

NOTE 10 - SUBSEQUENT EVENT

During 2015, the Town Board of Trustees approved an intergovernmental agreement with the Lyons Urban Renewal Authority (LURA). The Board appointed certain Town employees as officers of the Authority. It is anticipated in 2016, LURA will be reported as a component unit of the Town.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LYONS, COLORADO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
<u>Taxes</u>				
General property tax	\$ 451,185	\$ 451,185	\$ 450,879	\$ (306)
Specific ownership tax	13,770	13,770	23,947	10,177
Sales tax	209,619	374,619	374,873	254
Use tax	83,600	128,600	129,234	634
Franchise tax	29,250	29,250	23,658	(5,592)
Licenses and permits	42,975	57,975	94,917	36,942
Intergovernmental	87,499	87,499	118,584	31,085
Fines and forfeitures	77,250	77,250	124,038	46,788
Investment earnings	1,000	1,000	963	(37)
Rental income	100,000	100,000	109,748	9,748
Contributions and donations	2,532	2,532	3,243	711
Other income	13,000	13,000	16,906	3,906
Total revenues	<u>1,111,680</u>	<u>1,336,680</u>	<u>1,470,990</u>	<u>134,310</u>
<u>Expenditures</u>				
<u>Current</u>				
<u>General government</u>				
Legislative council	18,500	18,500	23,803	(5,303)
Judicial	40,714	40,714	41,620	(906)
Administrative	142,195	142,195	129,861	12,334
Police	358,726	358,726	354,776	3,950
Economic development	139,806	139,806	91,740	48,066
Building inspections	41,000	61,000	57,458	3,542
Public works - streets	139,064	169,064	149,284	19,780
Planning	48,297	48,297	45,234	3,063
Health, welfare and community	60,398	60,398	41,913	18,485
Other general government	273,929	323,929	305,968	17,961
Library	89,643	89,643	78,483	11,160
Capital outlay	75,000	175,000	155,184	19,816
<u>Debt service</u>				
Principal	5,650	5,650	5,628	22
Interest	300	300	286	14
Total expenditures	<u>1,433,222</u>	<u>1,633,222</u>	<u>1,481,238</u>	<u>151,984</u>
Excess of revenues over (under) expenditures	<u>(321,542)</u>	<u>(296,542)</u>	<u>(10,248)</u>	<u>286,294</u>
<u>Other financing sources (uses)</u>				
Transfers in	165,205	165,205	-	(165,205)
Transfers out	-	(200,000)	(154,716)	45,284
Insurance recoveries	-	60,000	59,069	(931)
Total other financing sources (uses)	<u>165,205</u>	<u>25,205</u>	<u>(95,647)</u>	<u>(120,852)</u>
Net change in fund balances	<u>\$ (156,337)</u>	<u>\$ (271,337)</u>	<u>(105,895)</u>	<u>\$ 165,442</u>
Fund balances - beginning			<u>796,328</u>	
Fund balances - ending			<u>\$ 690,433</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final</u>
<u>Revenues</u>			
Intergovernmental	\$ 19,775,000	\$ 3,741,722	\$ (16,033,278)
Contributions and donations	25,000	545,991	520,991
Total revenues	<u>19,800,000</u>	<u>4,287,713</u>	<u>(15,512,287)</u>
<u>Expenditures</u>			
<u>Current</u>			
General government	1,000,000	321,189	678,811
Public safety	3,000,000	1,041,196	1,958,804
Economic development	-	96,100	(96,100)
Public works	6,941,875	929,393	6,012,482
Parks, recreation and cultural	8,000,000	398,208	7,601,792
Capital outlay	6,000,000	3,642,838	2,357,162
<u>Debt service</u>			
Principal	52,000	51,613	387
Interest	6,125	6,125	-
Total expenditures	<u>25,000,000</u>	<u>6,486,662</u>	<u>18,513,338</u>
Excess of revenues over (under) expenditures	<u>(5,200,000)</u>	<u>(2,198,949)</u>	<u>3,001,051</u>
<u>Other financing sources (uses)</u>			
Transfers in	-	1,381,213	1,381,213
Debt proceeds	3,750,000	3,757,132	7,132
Insurance recoveries	1,450,000	1,464,745	14,745
Total other financing sources (uses)	<u>5,200,000</u>	<u>6,603,090</u>	<u>1,403,090</u>
Net change in fund balances	<u>\$ -</u>	4,404,141	<u>\$ 4,404,141</u>
Fund balances - beginning		<u>(3,250,254)</u>	
Fund balances - ending		<u>\$ 1,153,887</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
PARKS, RECREATION, AND CULTURAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL
DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Sales tax	\$ 101,346	\$ 186,346	\$ 187,437	\$ 1,091
Use tax	42,651	64,651	64,799	148
Home additions fees	14,999	16,999	19,605	2,606
Interest income	500	500	274	(226)
Grants, contributions and donations	500	500	414	(86)
Charges for services				
Camping	13,425	53,425	57,126	3,701
Other park division charges	6,270	20,270	16,396	(3,874)
Recreation	10,900	10,900	17,748	6,848
Cultural and special events	26,500	81,860	83,000	1,140
Other income	1,000	1,000	138	(862)
Total revenues	<u>218,091</u>	<u>436,451</u>	<u>446,937</u>	<u>10,486</u>
<u>Expenditures</u>				
Administrative	32,374	54,374	32,569	21,805
Allocated expenses	3,600	30,600	23,748	6,852
Cultural and recreation				
Special event expenditures	24,500	74,500	63,202	11,298
Other culture and recreation expenditures	5,500	5,500	300	5,200
Parks				
Personnel	274,538	274,538	184,271	90,267
Operations and maintenance	53,140	53,140	29,900	23,240
Recreation	13,500	13,500	8,047	5,453
Capital improvements	-	1,000	864	136
Total expenditures	<u>407,152</u>	<u>507,152</u>	<u>342,901</u>	<u>164,251</u>
Excess (deficiency) of revenues over (under) expenditures	(189,061)	(70,701)	104,036	174,737
<u>Other financing sources (uses)</u>				
Transfers in (out)	<u>15,000</u>	<u>15,000</u>	<u>(72,460)</u>	<u>(87,460)</u>
Net change in fund balances	<u>\$ (174,061)</u>	<u>\$ (55,701)</u>	31,576	<u>\$ 87,277</u>
Fund balance, beginning			<u>438,762</u>	
Fund balance, end			<u>\$ 470,338</u>	

The accompanying notes are an integral part of these financial statements.

**OTHER SUPPLEMENTARY INFORMATION
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

TOWN OF LYONS, COLORADO
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL
DECEMBER 31, 2014

	Conservation Trust Fund		
	Original and Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>			
Intergovernmental revenue	\$ -	\$ 20,280	\$ 20,280
Investment earnings	200	203	3
Total revenues	200	20,483	20,283
<u>Other financing sources (uses)</u>			
Transfers out	(15,000)	-	15,000
Net change in fund balance	\$ (14,800)	20,483	\$ 35,283
Fund balance, beginning of year		163,838	
Fund balance, end of year		\$ 184,321	

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
ENTERPRISE FUNDS - SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DECEMBER 31, 2014

	Electric Fund		
	Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>			
Sales	\$ 1,288,044	\$ 1,233,458	\$ (54,586)
Investment / tap fees	13,500	22,500	9,000
Investment earnings	500	278	(222)
Other income	3,000	26,334	23,334
Total revenues	1,305,044	1,282,570	(22,474)
<u>Operating expenses</u>			
Electric wholesale purchases	890,000	786,746	103,254
Administrative	92,201	105,932	(13,731)
Personnel	41,868	45,118	(3,250)
Distribution and maintenance	154,200	105,222	48,978
Debt service			
Bond principal	87,257	87,258	(1)
Bond interest	61,858	61,150	708
Allocated expenses	62,935	65,646	(2,711)
Capital outlay	-	2,963	(2,963)
Transfers out	300,000	400,789	(100,789)
Total expenses	1,690,319	1,660,824	29,495
Net income (loss)	\$ (385,275)	(378,254)	\$ 7,021
<u>Reconciliation to change in net position</u>			
Add bond principal paid		87,258	
Donated assets		25,590	
Capital outlay		2,963	
Less depreciation expense		(100,131)	
Change in net position		\$ (362,574)	

The accompanying notes are an integral part of these financial statements.

TOWN OF LYONS, COLORADO
ENTERPRISE FUNDS - SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DECEMBER 31, 2014

	Water and Sanitation Fund		
	Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>			
Water sales	\$ 1,264,155	\$ 1,245,009	\$ (19,146)
Water tap fees	78,000	115,575	37,575
Pipe water sales	23,585	10,411	(13,174)
Investment earnings	3,500	2,737	(763)
Intergovernmental	-	530,700	530,700
Miscellaneous	3,650	26,607	22,957
Total revenues	1,372,890	1,931,039	558,149
<u>Expenses</u>			
Administration	259,165	168,794	90,371
Treatment personnel	-	95	(95)
Treatment services	257,075	237,172	19,903
Distribution salaries	172,853	161,377	11,476
Distribution maintenance	429,810	273,642	156,168
Capital outlay	3,192,580	2,822,147	370,433
Debt service			
Principal	223,690	223,690	-
Interest	80,925	78,688	2,237
Allocated expenses	103,914	88,948	14,966
Transfers out	900,000	753,248	146,752
Total expenses	5,620,012	4,807,801	812,211
Net income (loss)	\$ (4,247,122)	(2,876,762)	\$ 1,370,360
<u>Reconciliation to change in net position</u>			
Donated assets		57,779	
Add bond principal paid		223,690	
Capital outlay		2,822,147	
Less depreciation expense		(438,357)	
Change in net position		\$ (211,503)	

The accompanying notes are an integral part of these financial statements.

**OTHER SUPPLEMENTARY INFORMATION
STATE COMPLIANCE**

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT		City or County: Town of Lyons
		YEAR ENDING : December 2014
This Information From The Records Of (example - City of _ or County of _) Town of Lyons	Prepared By: Phone: 303-823-6622 ext 17	Tony Cavalier, Finance Director

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	193,116
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	129,251
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	1,169
2. General fund appropriations	326,744	b. Snow and ice removal	14,753
3. Other local imposts (from page 2)	23,947	c. Other	12,263
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	28,185
5. Transfers from toll facilities		4. General administration & miscellaneous:	81,114
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	107,244
a. Bonds - Original Issues		6. Total (1 through 5)	538,910
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	350,691	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	188,219	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	538,910	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	
			538,910

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		538,910	538,910		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT	STATE: Colorado
	YEAR ENDING (mm/yy): December 2014

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	23,947	g. Other Misc. Receipts	
6. Total (1. through 5.)	23,947	h. Other	
c. Total (a. + b.)	23,947	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	65,192	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	123,027	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	123,027	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	188,219	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs	163,256	635	163,891
c. Construction:			
(1). New Facilities		29,225	29,225
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	29,225	29,225
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	163,256	29,860	193,116
			(Carry forward to page 1)

Notes and Comments:

ADDITIONAL INFORMATION

TOWN OF LYONS, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31,	2014	
<u>Federal Awarding Agencies</u>	<u>Federal CFDA Number</u>	<u>Federal Awards Expended</u>
U.S. Department of Homeland Security: Passed through the State of Colorado Colorado Department of Public Safety Division of Homeland Security and Emergency Management: Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	\$ <u>4,370,593</u>
Total U.S. Department of Homeland Security		<u>4,370,593</u>
U.S. Department of Transportation: Passed through the State of Colorado Colorado Department of Transportation Highway Planning and Construction	20.205	<u>163,256</u>
Total U.S. Department of Transportation		<u>163,256</u>
U.S. Department of Housing and Urban Development: Passed through the State of Colorado Department of Local Affairs Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	14.269	<u>242,958</u>
Total U.S. Department of Housing and Urban Development		<u>242,958</u>
U.S. Department of Agriculture: Rural Business Enterprise Grants	10.769	35,514
Passed through the State of Colorado Department of Homeland Security and Emergency Management Environmental Quality Incentives Program	10.912	<u>168,968</u>
Total U.S. Department of Agriculture		<u>204,482</u>
U.S. Department of Interior: Distribution of Receipts to State and Local Governments	15.227	<u>750</u>
Total U.S. Department of Interior		<u>750</u>
Total Expenditures of Federal Awards		<u>\$ 4,982,039</u>

TOWN OF LYONS, COLORADO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Lyons, Colorado and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – 2013 EXPENDITURES TO BE REPORTED IN 2014

Disaster Grants – Public Assistance expenditures are to be reported only after FEMA has approved the Project Worksheet (PW). Amounts expended in 2013 which are reported as federal financial assistance in 2014 totaled \$1,407,581. At December 31, 2014, there are no expenditures for unapproved PWs.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the Board of Trustees
Town of Lyons, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lyons, Colorado (Town), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Lyons, Colorado's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lyons, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lyons, Colorado's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2014-A to be a material weakness.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs, as 2014-B and 2014-C, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lyons, Colorado's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Lyons Colorado's Response to Findings

The Town of Lyons, Colorado's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 15, 2015
Denver, Colorado

Payette & Adams, LLC



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees
Town of Lyons, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Town of Lyons, Colorado's (Town) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Lyons, Colorado's major federal program for the year ended December 31, 2014. The Town of Lyons, Colorado's major federal program for the year ended December 31, 2014 is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Town of Lyons, Colorado's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion the Town of Lyons, Colorado complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-001 and 2014-002. Our opinion on the major federal program is not modified with respect to these matters.

The Town's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Town of Lyons, Colorado is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Lyons, Colorado's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lyons, Colorado's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

September 15, 2015
Denver, Colorado

Payette & Adams, LLC

TOWN OF LYONS, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *unmodified opinion*

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? X Yes No

Type of auditor's report issued on compliance for major programs: *unmodified opinion*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes No

Identification of major programs:

CFDA Number 97.036
U.S. Department of Homeland Security:
Disaster Grants – Public Assistance
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

TOWN OF LYONS, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

Section II Findings - Financial Statement Findings

Reference Number	Finding
2014-A	
Criteria:	The Town of Lyons (Town) is responsible for establishing and implementing a system of internal accounting control that will prevent, detect and correct errors in a timely manner and to safeguard its assets.
Condition:	Based on the audit procedures performed we found proposed adjustments totaling approximately \$2.6 million to the Town's general ledger.
Cause:	The Town was flooded in September, 2013. As a result of this flood, the Town's governmental expenditures increased from approximately \$1.8 million in 2012 to \$8.3 million this fiscal year. Due to the timing and volume of transactions the Town was not able to record all of the required entries.
Effect:	The unadjusted general ledger was not materially correct at December 31, 2014.
Recommendation:	We recommend the Town continue to add temporary staff as necessary to ensure the accounting records are properly stated.
Auditee response:	The Town was able to hire and fill two finance positions in December 2014 after receiving a grant for flood recovery staffing from the Colorado Department of Local Affairs. Due to the effective date of the grant being October 22, 2014, the town could not hire personnel for those positions until the grant was executed. The Town was not able to afford hiring positions until this funding source was available. The Town is funded to staff an additional six finance/grant personnel. This will be an ongoing hiring process until all positions are filled. The Town will also review the capacity of staff needed to address the financial portion of the 2013 Flood rebuilding and recovery process. Additional funding sources will be sought out if further positions are required to ensure accounting of all records is properly recorded and stated by year-end.

TOWN OF LYONS, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

Section II Findings - Financial Statement Findings

Reference Number	Finding
2014-B	
Criteria:	The Town of Lyons (Town) is responsible for establishing and implementing a system of internal accounting control that will prevent, detect and correct errors in a timely manner and to safeguard its assets.
Condition:	Based on the audit procedures performed we found that certain cash accounts had not been properly reconciled. These reconciliations were not performed in a timely manner.
Cause:	Due to security concerns, the Town closed its main bank account and opened a new bank account. Although the Town hired its financial software vendor in order to properly record transactions, not all deposits and checks were recorded properly. In addition, as noted above the Town is in a transition period and additional personnel maybe required to ensure that amounts are reconciled on a timely basis. Finally, the State of Colorado occasionally deposits funds belonging to one fund in another fund's accounts.
Effect:	The cash balances as reported in general ledger at December 31, 2014 required significant adjustments.
Recommendation:	We recommend the Town prioritize the cash reconciliation process and add temporary staff as necessary to ensure critical processes are completed.
Auditee response:	The Town had to open up a new account after incurring a cyber attack in March of 2014. The Town's financial process was massively interrupted with no online capability for eight months. The Town requested assistance from our financial software vendor - Caselle, to help transition financial modules to the new bank account. After three months of incomplete transfers, the Town financial system modules were reporting correctly. This three month process however, caused numerous duplicate entries as well as incorrect General Ledger postings. The Town is continuing to hire additional finance personnel to ensure critical processes, such as

cash reconciliation, remain a priority and are completed on a timely basis.

TOWN OF LYONS, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

Section II Findings - Financial Statement Findings

Reference Number	Finding
2014-C	
Criteria:	The Town of Lyons (Town) is responsible for establishing and implementing a system of internal accounting control that will prevent, detect and correct errors in a timely manner and to safeguard its assets.
Condition:	Amounts of expenditures related to the FEMA grants are tracked on spreadsheets. These spreadsheets are not reconciled to the total amounts expended in the Town's general ledger. As a result, the spreadsheets include expenditures which are recorded in other Town funds on the general ledger and the general ledger, related to FEMA expenditures, includes amounts for which there will not be a request for reimbursement from FEMA.
Cause:	The FEMA spreadsheets continue to be adequate documentation to request funds from FEMA. Concerns regarding the general ledger only emerge when closing the accounting records at the end of the fiscal year.
Effect:	The general ledger showed less in costs than the spreadsheets. As a result, amounts maybe reported to FEMA which are not supported by FEMA-specific transactions in the general ledger.
Recommendation:	We recommend that on a periodic basis, the Town reconcile the expenditures shown in the spreadsheets to the expenditures reported in the general ledger.
Auditee response:	The Town will implement a periodic reconciliation process between grants and the General Ledger. As additional staff is hired, the town will be able to routinely accomplish critical tasks that it was unable to do in the months immediately following the disaster.

TOWN OF LYONS, COLORADO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2014

Section III Findings – Federal Award Findings and Questioned Costs

Reference Number	Finding	Questioned Costs
U.S. Depart U.S. Department of Homeland Security:		
2014-001	<p>Passed through the Colorado Department of Public Safety: CFDA No. 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)</p> <p>Allowable Costs</p> <p>Criteria: OMB Circular A-87 requires that the Town maintain an internal control system to provide reasonable assurance that the federal awards are expended only for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with applicable cost principles.</p> <p>Condition: 60 invoices were selected for testing to determine if the invoices were appropriately reviewed and approved and if the costs were deemed allowable under the requirements of the grant. It was noted in 7 instances that there was no written evidence documenting the review and approval of the invoice in accordance with the Town’s policy.</p> <p>Cause: The Town, as a result of the flood, was required to hire additional staff to help with the cleanup effort as well as the accounting functions of the Town. With the influx of additional staff, the Town failed to adequately instruct the new personnel of the internal control requirements of the Town as it related to the grants as well as the Town in general. As a result in the first quarter of 2014 several invoices were processed without indications of review and approval by appropriate supervisors.</p> <p>Effect: The payment of invoices which may not have been appropriately reviewed and approved by someone with knowledge of the grant requirements and allowable costs could result in the payment of unauthorized and or unallowable cost related to a grant. This could result in requiring the Town to possible return funds back to the program even though costs were incurred.</p>	None

Recommendation: We recommend the Town of Lyons provide its staff adequate training as well as written process requirements related to purchase and payment for services to the Town.

Auditee response: The Town will implement a written procedure which will address payment of invoices only after being fully authorized. As new personnel are hired, the Town will implement sufficient training to address the financial procedures and processes.

TOWN OF LYONS, COLORADO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2014

Section III Findings – Federal Award Findings and Questioned Costs

Reference Number	Finding	Questioned Costs
U.S. Department of Homeland Security: 2014-002	<p>Passed through the Colorado Department of Public Safety: CFDA No. 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)</p> <p>Procurement & Suspension and Debarment</p>	None
Criteria:	<p>A-102 Common Rule requires that adequate controls are in place to provide assurance that the procurement of goods and services are made in compliance with requirements of the rule and that covered transactions (as defined in the suspension and debarment common rule) are not made with a debarred or suspended party.</p>	
Condition:	<p>A sample of 4 contracts issued in 2014 were reviewed and no documentation could be provided in 2 of the 4 contracts selected that a search of the SAMS site had been performed to insure that the contractor selected was not suspended or debarred.</p>	
Cause:	<p>The Town’s staff was acting under emergency rules until early 2014 and were not originally aware of the search requirement. When informed of the requirement they began performing the required search but failed to maintain any documentation to show that the search had been performed. Late in 2014, they began to maintain the documentation of the required search.</p>	
Effect:	<p>The use of suspended or debarred contractors could result in the Town incurring costs which would be disallowed. Nothing was found in a subsequent search of the SAMS site which would indicate that contractors used in 2014 were suspended or debarred.</p>	
Recommendation:	<p>We recommend the Town of Lyons continue to work with FEMA and State personnel to understand the requirements of the grants received. They should perform a search of the SAMS site for all new contracts and should maintain documentation to support that such a</p>	

Auditee response: In the latter part of 2014, the Town implemented a contracting process/procedure wherein contractors would be reviewed through the SAM.gov website to see if they are suspended or debarred. To be in compliance the Town will document any and all findings.

TOWN OF LYONS, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

Section IV Prior Year Federal Award Findings and Questioned Costs

U.S. Department of Homeland Security:

2013-001 Passed through the Colorado Department of
Public Safety:
CFDA No. 97.036
Disaster Grants – Public Assistance (Presidentially
Declared Disasters)

Allowable Costs
Matching

Condition: All of the expenditures incurred during 2013
were matched with in-kind donations. The
computation of match amounts is not
consistent. At times a vendor's standard rate
was allowed, and at other times, a vendor's
rate was reduced to the Bureau of Labor
Statistics' value. This occurred when a vendor
was performing services in his or her
specialty. In addition, math errors were noted
in computation of hours worked times rate
allowed.

Status: The Town has been working with FEMA and
State officials to determine the proper rates
allowable for the in-kind portions of the grant.
As of December 31, 2014, they have not
requested any additional funding for these
costs as they have not come to agreement with
FEMA and the State as to the rates to be used
and the allowable conditions for which
volunteers may reimbursed.

Auditors Response: Fully implemented.